

DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS

FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	FY 2005 REQUEST	GOVERNOR RECOMMENDS FY 2005
Department Administration	\$ 9,263,427	\$ 20,522,992	\$ 18,130,102	\$ 18,267,644
Industrial Commission	819,371	895,087	895,087	908,570
Division of Labor Standards	2,060,702	2,953,740	2,953,740	2,995,168
Governor's Council on Disability	2,356,435	3,769,305	0	0
State Board of Mediation	135,220	134,064	134,064	124,885
Commission on Human Rights	1,819,227	1,925,009	1,925,009	1,958,246
Division of Workers' Compensation	67,571,397	73,897,014	77,049,869	76,861,358
Division of Employment Security	31,261,979	48,225,973	56,635,762	57,156,408
DEPARTMENTAL TOTAL	\$ 115,287,758	\$ 152,323,184 *	\$ 157,723,633	\$ 158,272,279
General Revenue Fund	3,516,405	3,118,319	3,144,808	2,831,376
Federal Funds	40,184,791	68,097,711	61,410,133	62,063,361
Deaf Relay Service and Equipment				
Distribution Program Fund	1,396,043	2,656,045	0	0
Tort Victims' Compensation Fund	35,989	3,056,556	156,556	157,387
Workers' Compensation Fund	10,828,280	13,110,496	12,644,968	12,837,288
Second Injury Fund	50,729,820	53,500,000	58,500,000	58,500,000
Crime Victims' Compensation Fund	6,751,664	5,983,173	6,466,284	6,473,191
Child Labor Enforcement Fund	48,293	200,000	200,000	200,000
Special Employment Security Fund	1,796,473	2,600,884	15,200,884	15,209,676
Full-time equivalent employees	1,091.78	1,278.77	1,186.91	1,186.41

* Does not include \$1,542,673 federal and other funds recommended in Fiscal Year 2004 Supplemental Appropriations. See the Supplemental section of the Missouri Budget for details regarding the Department of Labor and Industrial Relations supplemental appropriations.

POLICY SUMMARY

Governor Holden's budget for Fiscal Year 2005 provides a total of \$158.3 million for the Department of Labor and Industrial Relations. The department provides services for Missouri employees and employers that help provide safe and healthy workplaces and ensure economic security. The core functions provided by the Department of Labor and Industrial Relations include:

- Processing and awarding payment of compensation to those who are unemployed, injured at work, or victims of crime.
- Assuring safe and healthy workplaces for Missouri employees through on-site inspections that identify hazards to be corrected in the workplace.
- Enforcing anti-discrimination laws and promoting equal access to jobs for all Missourians.

Some of the performance measures the Department of Labor and Industrial Relations uses to monitor its success follow:

	2001	2002	2003
Number of job-related accidents, illnesses, and fatalities	165,697	155,333	141,844
Amount of unemployment benefits returned to the economy (millions)	\$414.1	\$644.3	\$726.0
Amount of fines avoided by Missouri businesses (millions)	\$3.1	\$3.6	\$3.9

Ensuring Economic Security

In order to ensure economic security for all Missourians, the department efficiently maintains a comprehensive and complex system that provides Missourians with financial benefits when they become unemployed through no fault of their own, are injured on the job, or become a victim of crime.

DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS

POLICY SUMMARY (Continued)

To ensure continued economic security for Missourians, the Governor recommends:

- \$12.6 million other funds to cover the interest charges due to the United States Treasury for money borrowed to pay unemployment insurance benefits. Over \$100 million has been borrowed from the federal government because Missouri's unemployment fund is insolvent.
- \$5 million other funds to ensure all eligible claimants are compensated in cases where a prior injury is made worse by a current work-related injury or the employer does not have workers' compensation coverage. This brings the total appropriation of second injury funds to \$58.5 million.
- \$700,000 federal and other funds to compensate victims of crime and enable them to cover costs incurred as a direct result of a violent crime.

Improved Efficiency

Missouri has always been a low tax state and has, therefore, provided only essential services at a very low cost. The state's already low tax level combined with two consecutive years of declining revenue have led to significant reductions in many programs. However, under Governor Holden's leadership, state agencies have minimized the negative impact on services by dramatically reducing administrative costs and by developing ways to provide remaining services in the most efficient way possible.

The Department of Labor and Industrial Relations has aggressively improved the services it provides and reduced administrative costs by:

- Reducing staff positions and cross training employees within the department's administrative unit, resulting in net savings of over \$100,000.
- Consolidating leasing costs and placing staff from other state agencies within department-owned facilities, generating annual savings of over \$180,000.
- Increasing the number of forms and applications accessible through the Internet.
- Reducing postage rates and costs by entering into a mutually beneficial partnership with the University of Missouri – Columbia's Campus Mail Service Facility and redesigning a required informational item that has an annual mailing of more than 400,000 pieces, resulting in nearly \$200,000 in postage savings.
- Utilizing innovative computer technology to receive and respond to reports of workplace injuries electronically, resulting in an annual postage cost savings of \$33,000 in the Division of Workers' Compensation.

In addition to cost cutting measures already implemented, the Department of Labor and Industrial Relations plans to:

- Provide the Annual Wage Order, which is used to determine the local prevailing wage, through the Internet; savings are projected to be \$13,000 per year or more due to a reduction in postage, supply costs, and staff time.
- Increase the number of First Reports of Injury filed electronically with the Division of Workers' Compensation from 67 percent to 87 percent.
- Re-bid the contract for the Telecommunications Access Program for Internet equipment to reduce administrative time spent in price verification.

Cuts Already Made

The Department of Labor and Industrial Relations has worked to minimize the impact of reduced funding on services. However, the department's funding for services has been cut in recent years.

- The Division of Labor Standards disconnected its toll-free number for constituent calls, which forces the individual or business to bear the cost of the call for assistance.
- The On-Site Consultation Program and the Mine and Cave Inspection and Training Section are providing fewer consultations and mine inspections. Because fewer hazards are being identified at the state level, workers are at greater risk of injury and employers are more likely to be fined by the federal government.

DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS

DEPARTMENT ADMINISTRATION

The Director's Office provides leadership and supervision in the areas of policy, operation, and interagency coordination/cooperation. Functions centralized within the Director's Office include: administrative services, facilities and maintenance, financial management, human resources, legislative and public relations, research and analysis, telecommunications, legal, and information services.

Fiscal Year 2005 Governor's Recommendations

- \$137,542 for pay plan, including \$11,078 general revenue.
- (\$2,380,150) and (13.39) staff in core reduction from the Fiscal Year 2004 appropriation level, including (\$41,824) general revenue.
- (\$8,448) reallocated to the Governor's Council on Disability for transfer to the Office of Administration.
- (\$4,292) reallocated to the Labor and Industrial Relations Industrial Commission.
- (One) staff reallocated to the Division of Labor Standards.

DIVISION OF LABOR AND INDUSTRIAL RELATIONS COMMISSION

The three-member Labor and Industrial Relations Commission reviews all appeals from all decisions and awards in workers' compensation, unemployment compensation, prevailing wage cases, victims of crime compensation cases, and tort victims' compensation cases at the highest administrative level. The commission conducts hearings and renders written opinions. The commission's opinions are subject to review by the judiciary. The commission is also charged with the statutory authority to approve or disapprove all rules or regulations promulgated by the divisions within the department.

Fiscal Year 2005 Governor's Recommendations

- \$15,105 for pay plan, including \$257 general revenue.
- \$4,292 reallocated from the department's administrative division.
- (\$5,914) core reduction from the Fiscal Year 2004 appropriation level, including (\$1,622) general revenue.

DIVISION OF LABOR STANDARDS

State statutes require the Division of Labor Standards to assure the safety and health of Missouri workers. To reduce deaths and disabling injuries, staff conducts regular and special on-site inspections of businesses, industries, and commercial mines and caves. To ensure compliance with statutory provisions governing wage rates for public works projects, the division periodically surveys prevailing wage rates for laborers, mechanics, and other workers employed in the construction industry. The division conducts on-site inspections to assure compliance with Missouri's Child Labor Law. Also, the division provides safety and health training classes for mine operators and miners. All miners, whether surface or underground, are required by federal law to complete a minimum number of hours in training before beginning work and annually thereafter. The division provides on-site safety and health consultations to businesses and industrial facilities by qualified professional consultants to identify serious hazards and recommend means for eliminating them. Private employers are not charged for this service. The division performs these consultations upon employer requests.

Fiscal Year 2005 Governor's Recommendations

- \$41,428 for pay plan, including \$20,800 general revenue.
- One staff reallocated from the department's administrative division.
- (0.20) staff in core reduction from the Fiscal Year 2004 appropriation level.

DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS

GOVERNOR'S COUNCIL ON DISABILITY

The Governor's Council on Disability promotes full participation of the nearly one million Missourians with disabilities in all aspects of community life by educating employers, employees, local and state governments, persons with disabilities, and other interested parties of their rights and responsibilities under the Americans with Disabilities Act, Missouri Human Rights Act, and other disability rights laws.

The Missouri Assistive Technology Council supports access to adaptive devices that increase the independence and productivity of Missourians with all types of disabilities. The council provides adaptive telecommunications devices and computer adaptations, short-term loan of a full range of assistive technology, used equipment exchange, and low interest loans for the purchase of assistive technology and home modifications.

Fiscal Year 2005 Governor's Recommendations

- \$8,448 reallocated from the Administrative Division for the transfer of Governor's Council on Disability to the Office of Administration.
- (\$3,233,753) and (15.00) staff transferred to the Office of Administration, including (\$284,542) general revenue.
- (\$544,000) federal and other funds and (.70) staff in core reduction from the Fiscal Year 2004 appropriation level.

STATE BOARD OF MEDIATION

The State Board of Mediation is a quasi-judicial board created by an act of the General Assembly in 1947 to mediate public utility disputes. Since 1967, the board has been charged with the responsibility of determining appropriate bargaining units of public employees, based upon their community of interest. It also conducts secret ballot elections to determine exclusive bargaining agent status. The board retains the authority to mediate disputes in the area of public utilities regarding wages and working conditions.

Fiscal Year 2005 Governor's Recommendations

- \$2,019 for pay plan.
- (\$11,198) and (0.50) staff in core reduction from the Fiscal Year 2004 appropriation level.

MISSOURI COMMISSION ON HUMAN RIGHTS

The statutory mandate of the MCHR is to prevent and eliminate discrimination as prohibited by the Missouri Human Rights Act. The act requires the MCHR to receive, investigate, and resolve complaints of alleged discrimination in the areas of housing, employment, and public accommodations due to race, color, religion, national origin, ancestry, sex, disability, or age (in employment only) and familial status (in housing only). Through its education and outreach program the MCHR reduces intergroup conflict and discourages illegal discrimination.

Fiscal Year 2005 Governor's Recommendations

- \$33,561 for pay plan, including \$18,413 general revenue.
- (\$324) core reduction from the Fiscal Year 2004 appropriation level.

**DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
DIVISION OF WORKERS' COMPENSATION**

FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDS FY 2005
Administration	\$ 8,689,405	\$ 9,482,547	\$ 9,641,632
Second Injury Benefits	50,729,820	53,500,000	58,500,000
Crime Victims' Administration	276,070	414,467	419,726
Crime Victims' Compensation Benefits	7,876,102	7,500,000	8,200,000
Tort Victims Compensation Payments	0	3,000,000	100,000
DIVISIONAL TOTAL	\$ 67,571,397	\$ 73,897,014	\$ 76,861,358
PERSONAL SERVICE			
Tort Victims' Compensation Fund	32,064	41,556	42,387
Workers' Compensation Fund	7,516,332	7,889,219	8,048,826
Crime Victims' Compensation Fund	197,905	286,294	290,200
EXPENSE AND EQUIPMENT			
Federal Funds	0	50,000	50,000
Tort Victims' Compensation Fund	3,925	15,000	15,000
Workers' Compensation Fund	1,087,084	1,432,649	1,432,649
Second Injury Fund	520,383	393,866	364,467
Crime Victims' Compensation Fund	78,165	101,558	101,558
PROGRAM SPECIFIC DISTRIBUTION			
Federal Funds	1,525,431	2,054,359	2,243,219
Tort Victims' Compensation Fund	0	3,000,000	100,000
Workers' Compensation Fund	50,000	50,000	50,000
Second Injury Fund	50,209,437	53,106,134	58,135,533
Crime Victims' Compensation Fund	6,350,671	5,476,379	5,987,519
TOTAL	\$ 67,571,397	\$ 73,897,014	\$ 76,861,358
Federal Funds	1,525,431	2,104,359	2,293,219
Tort Victims' Compensation Fund	35,989	3,056,556	157,387
Workers' Compensation Fund	8,653,416	9,371,868	9,531,475
Second Injury Fund	50,729,820	53,500,000	58,500,000
Crime Victims' Compensation Fund	6,626,741	5,864,231	6,379,277
Full-time equivalent employees	173.48	184.75	184.75

DIVISION OF WORKERS' COMPENSATION - ADMINISTRATION

The Division of Workers' Compensation processes all reports of job-related injuries and formal claims for compensation filed with the division under the "Missouri Workers' Compensation Law." The division also resolves disputed issues between an employee and employer/insurer through mediation and/or evidentiary hearings conducted by its administrative law judges and/or legal advisors. The division administers the rehabilitation of seriously injured workers, resolves disputes concerning the reasonableness of medical fees and charges, helps employers and insurers develop safety programs, reviews and approves applications by employers or group trusts for self-insurance authority, and investigates allegations of workers' compensation fraud and noncompliance.

Fiscal Year 2005 Governor's Recommendations

- \$159,085 other funds for pay plan.

**DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
DIVISION OF WORKERS' COMPENSATION**

SECOND INJURY FUND

The Second Injury Fund is designed to compensate an injured employee when a current work-related injury combines with any prior injury that creates an increased combined disability. The basic concept is "the whole is greater than the sum of its part." For example, if an injured employee has a 15 percent disability from the current work-related injury and a 15 percent disability from the prior injury, and the combined disability is 40 percent, the fund pays for the increased disability. The fund is also responsible for payment of medical bills for injured employees when the employer fails to insure its workers' compensation liability. In addition, if the employee is killed, burial expenses and death benefits in the form of weekly payments to the surviving spouse or dependents of the employee are paid from the fund. The fund also provides benefits to injured employees undergoing physical rehabilitation. For injuries taking place after August 28, 1998, the fund also provides second job lost wage benefits.

Fiscal Year 2005 Governor's Recommendations

- \$5,000,000 other funds for increased payments.

CRIME VICTIMS' ADMINISTRATION

The Crime Victims' Administration Unit was established to investigate all claims by victims of crime, which are filed with the division in order to determine eligibility under the statute and the amount of losses incurred. The unit fulfills these responsibilities by processing and investigating claims and awarding or denying compensation.

Fiscal Year 2005 Governor's Recommendations

- \$5,259 other funds for pay plan.

CRIME VICTIMS' COMPENSATION

The Crime Victims' Compensation Program processes and awards benefits to eligible victims of violent crimes. Crime victims' compensation benefits are available to individuals who, through no fault of their own, find themselves victimized by violent crimes. Since benefits are only paid to recover expenditures made or wages lost as a result of their victimization, benefit recipients do not profit from the criminal violation. State funding to pay benefits is derived from a combination of court fees assessed in criminal cases and fines levied against individuals convicted of criminal activity. Federal grant dollars are also awarded based on the state's prior year expenditure for benefits.

Fiscal Year 2005 Governor's Recommendations

- \$700,000 federal and other funds for increased Crime Victims' Compensation payments.

TORT VICTIMS' COMPENSATION

The Tort Victims' Compensation Fund provides benefits to individuals who have received a final monetary judgment in a civil case but who have been unable to collect all, or part of, the judgment entered against the defendant. Funding is provided from the Tort Victims' Compensation Fund. The fund's exclusive revenue source is 50 percent of all punitive damage awards entered in civil cases in Missouri. Of this amount, 74 percent is used to pay victims of torts.

Fiscal Year 2005 Governor's Recommendations

- (\$2,900,000) other funds core reduction from the Fiscal Year 2004 appropriation level.

**DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
DIVISION OF EMPLOYMENT SECURITY**

FINANCIAL SUMMARY

	FY 2003 EXPENDITURE	FY 2004 APPROPRIATION	GOVERNOR RECOMMENDS FY 2005
Administration	\$ 25,859,224	\$ 36,745,404	\$ 35,067,047
Special Employment Security Fund	1,676,473	2,480,569	15,089,361
Employment and Training Payments	3,726,282	9,000,000	7,000,000
DIVISIONAL TOTAL	\$ 31,261,979	\$ 48,225,973	\$ 57,156,408
PERSONAL SERVICE			
Federal Funds	20,506,543	28,121,916	26,104,522
Special Employment Security Fund	8,831	100,569	448,398
EXPENSE AND EQUIPMENT			
Federal Funds	5,352,681	8,623,488	8,962,525
Special Employment Security Fund	1,667,642	2,280,000	14,640,963
PROGRAM SPECIFIC DISTRIBUTION			
Federal Funds	3,726,282	9,000,000	7,000,000
Special Employment Security Fund	0	100,000	0
TOTAL	\$ 31,261,979	\$ 48,225,973	\$ 57,156,408
Federal Funds	29,585,506	45,745,404	42,067,047
Special Employment Security Fund	1,676,473	2,480,569	15,089,361
Full-time equivalent employees	641.25	795.28	732.71

DIVISION OF EMPLOYMENT SECURITY - ADMINISTRATION

The Division of Employment Security is responsible for determining employer liability, collecting unemployment compensation taxes from Missouri liable employers, paying unemployment benefits to eligible claimants, maintaining wage records of Missouri workers, and investigating cases involving possible fraud and benefit overpayments.

Fiscal Year 2005 Governor's Recommendations

- \$511,854 federal funds for pay plan.
- (\$2,190,211) federal funds and (62.57) staff in core reduction from the Fiscal Year 2004 appropriation level.
- (12) staff reallocated to the Special Employment Security Fund.

SPECIAL EMPLOYMENT SECURITY FUND

The special employment security fund is derived from interest and penalties collected under the provisions of the Missouri Employment Security Law. Expenditures from this fund are made in accordance with Section 288.310, RSMo, which includes refunds of overcollected interest and penalties and administrative expenses of the division not covered by the federal grant. The fund may also be used to acquire suitable office space for the division. Section 288.128, RSMo, provides for federal interest assessments on Title XII advances to the unemployment trust fund to be deposited into this fund until payment to the federal government is made.

Fiscal Year 2005 Governor's Recommendations

- \$12,600,000 other funds to pay the interest charges due to the United States Treasury for money borrowed to pay unemployment insurance benefits.
- \$8,792 other funds for pay plan.
- 12 staff reallocated from the Employment Security Administration.

**DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
DIVISION OF EMPLOYMENT SECURITY**

EMPLOYMENT AND TRAINING PAYMENTS

The Division of Employment Security operates employment and training programs authorized and funded by the U.S. Department of Labor as authorized by the North American Free Trade Agreement (NAFTA) and the Trade Adjustment Assistance (TAA) programs. The division contracts with the Division of Workforce Development and others to provide a full range of services. Services include referral to employer job openings, job readiness skills training, referral to classroom or employer training, as well as payment of support services such as transportation, subsistence, and relocation allowances.

Fiscal Year 2005 Governor's Recommendations

- (\$2,000,000) other funds core reduction from the Fiscal Year 2004 appropriation level.